



OHIO AUDITOR OF STATE
KEITH FABER



**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY
DECEMBER 31, 2021**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Gateway Economic Development Corporation of Greater Cleveland
Cuyahoga County
756 Bolivar Road
Cleveland, Ohio 44115

To the Board of Trustees:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Gateway Economic Development Corporation of Greater Cleveland, Cuyahoga County, Ohio (Gateway), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Gateway's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Gateway Economic Development Corporation of Greater Cleveland, Cuyahoga County, Ohio as of December 31, 2021, and the changes in financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Gateway, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 10 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of Gateway. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gateway's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gateway's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gateway's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022, on our consideration of Gateway's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gateway's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gateway's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

September 29, 2022

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**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

The discussion and analysis of the Gateway Economic Development Corporation of Greater Cleveland (Gateway) provides an overall review of Gateway's financial activities for the year ended December 31, 2021. The intent of the discussion and analysis is to look at Gateway's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of Gateway's financial performance.

Financial Highlights

Key financial highlights for 2021 and 2022 are as follows:

- Gateway entered into an Amended and Restated Lease Agreement effective as of January 1, 2022 with the Cleveland Guardians (f/k/a Cleveland Indians) which extends the lease term through 2036, with a five-year, convertible to ten-year, Gateway vesting option to renew.
- The Guardians lease extension also includes \$202.5 million in Ballpark improvements. The Ballpark improvements were funded through various bond issues in 2022 and other sources described below under the section entitled Economic Factors and Next Year's 2022 Budget including the sale of a parcel of real property owned by Gateway to the Guardians for \$2 million.
- In 2017, Gateway entered into a new lease and management agreement, dated October 12, 2017, with the Cleveland Cavaliers which extends the lease term through the end of the 2033-2034 season, with two successive five year team options to renew.
- Total Operating Revenues totaled \$6,326,542 for the year.
- The Cleveland Guardians have made significant improvements/alterations starting in 2015 through 2021 totaling close to \$50 million to Progressive Field. These alterations were funded by the Cleveland Guardians and become the property of Gateway.
- In 2019, the County approved a second Excise Tax Bond for \$40,484,614 of which a total of \$39,960,037 has been disbursed as of December 31st, 2021. This Bond was issued to provide additional funding to the Cavaliers to reimburse them for Major Capital projects that they had previously funded. These projects were approved by the Gateway Board.
- The Cleveland Cavaliers have continued to make improvements/alterations to Rocket Mortgage FieldHouse totaling \$4,738,077 in 2021. In the past few years the Cavaliers made significant improvements with the Transformation project.

Using this Annual Financial Report

This annual report consists of financial statements and notes to those statements. These statements are organized so the reader can understand Gateway Economic Development Corporation of Greater Cleveland as a financial whole.

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position provide information about the activities of Gateway. Gateway only has one major fund for business-type activities.

Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

While this document contains information about the funds used to provide service to the City, County, the teams and taxpayers, the view of Gateway as a whole looks at all financial transactions and asks the question, "How did we do financially during 2021?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position answer this question. These statements include all Assets, Deferred Outflows, Liabilities and Deferred Inflows using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
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Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

These statements report Gateway's net position and the change in net position. This change in net position is important because it tells the reader whether Gateway has improved or diminished its net position.

- Business Activities – Gateway is a Non-Profit 501(c)(3) Corporation created to own, finance, construct and operate the Gateway Sports Complex by overseeing services such as maintenance, security and capital repairs at the Gateway Sports Complex.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Business-wide financial analysis

Table 1 provides a summary of Gateway's Net Position for 2021 and 2020 Business Type Activities.

Table 1

	2021	2020
ASSETS:		
Current Assets-Unrestricted	\$ 597,104	\$ 649,452
Current Assets-Restricted	269,705	268,931
Non-Current Assets	400,557,031	428,727,537
Total Assets	\$ 401,423,840	\$ 429,645,920
LIABILITIES:		
Current Liabilities	\$ 10,009,204	\$ 9,603,174
Non-Current Liabilities	293,883,465	291,873,802
Total Liabilities	\$ 303,892,669	\$ 301,476,976
Net Position		
Net Investment in Capital Assets	\$ 98,873,566	\$ 129,523,735
Restricted for Capital Repairs	269,705	268,931
Unrestricted	(1,612,100)	(1,623,722)
Total Net Position at End of Year	\$ 97,531,171	\$ 128,168,944

In the case of Gateway, the majority of all assets and liabilities are capital related. As a result, the depreciation, amortization and interest expense have a significant impact on the Total Net Position. The majority of changes are resulting from the significant increases in capital Improvements to Progressive Field and Rocket Mortgage FieldHouse. A large portion of these improvements were completed by the beginning of 2021.

Total Assets equaled \$401,423,840 as of December 31,2021. Total Assets decreased (\$28,222,080) during 2021. This is primarily due to the coordination with Gateway and the teams to identify and dispose of older assets that were either replaced or no longer in service in both Progressive Field and Rocket Mortgage FieldHouse.

Net Position for 2021 totaled \$97,531,171. Decreases to the net position were due to asset disposals. Many of the significant capital improvements such as Major Capital through the Excise Tax, Transformation and

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CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Alterations replaced older assets at both facilities. Many of these projects were completed in 2020 and part of 2021.

Table 2

	2021	2020
Operating Revenues		
Lease Income	\$ 4,122,836	\$ 3,900,103
Other	2,203,706	1,701,886
Total Operating Revenues	6,326,542	5,601,989
Operating Expenses		
Administrative and General	1,317,411	107,521
Depreciation and Amortization	28,707,164	20,116,222
Salaries and Related Expenses	928,738	995,820
Professional Fees	181,744	133,289
Property Tax Expense	1,572,383	1,634,146
Security Expense	714,459	579,157
Repairs and Maintenance	1,372,746	2,251,205
Total Operating Expense	34,794,645	25,817,360
Operating Loss	(28,468,103)	(20,215,371)
Non-Operating Revenues		
Admissions Tax	8,464,363	8,459,800
Incremental Transient Occup. Tax Credit	0	(27,586)
Capital Improvement Revenue	8,737,015	25,371,465
Capital Alteration Improvement Revenue	945,349	2,081,270
Transformation Project Revenue	5,458,038	5,466,924
Gain on PPP Loan Forgiveness	191,572	
Investment Income	72	95
Total Non-Operating Revenues	23,796,409	41,351,968
Non-Operating Expenses		
Interest Expense	10,945,430	10,996,995
Transformation Project Expense	5,458,038	
Loss on Disposal of Assets	9,562,611	
Total Non-Operating Expense	25,966,079	10,996,995
Net Non-Operating Income	(2,169,670)	30,354,973
Net Position		
Net Increase in Net Position	(30,637,773)	10,139,602
Total Net Position at Beginning of Year	128,168,944	118,029,342
Total Net Position at End of Year	\$ 97,531,171	\$ 128,168,944

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
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Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Lease Income for 2021 was \$4,122,836. This was \$222,733 higher than last year as both sports facilities resumed events that were severely scaled back in the prior year due to Covid-19. In 2021 both teams followed all of the State and City Covid-19 protocols to ensure safety. For 2021, Gateway's approved operating budget of \$4,596,827 was paid by the teams as rent pursuant to the leases.

Operating expenses for 2021 totaled \$34,794,645 which represents an increase of (\$8,977,285) from the prior year. The increase is primarily due to increases in Depreciation and Amortization for both facilities. In addition, event maintenance and security were increased to ensure the safety to handle the rising attendance. Gateway and the teams have worked tirelessly to maintain first class facilities.

Non-Operating revenues have increased due to the completion of the \$140,000,000 Transformation project, and a second Excise Tax Bond totaling \$40,484,614 entering its final phase at Rocket Mortgage Field House for Major Capital Repairs. Gateway and the teams also collaborated to review all older fixed assets that were replaced or disposed of due to the new investments the last several years. The teams have also heavily invested in their respective facilities.

General Budget Highlights

Administration, maintenance and security of the Gateway Sports Complex fall under the direction of its Executive Director and staff. Gateway staff, in accordance with the team leases, prepares a detailed operating budget for both teams and a consolidated budget that is reviewed with the teams, as well as Gateway's Board of Trustees. This budget, once approved, is analyzed, and reviewed on a monthly basis with the teams. Financial reports are also submitted to the Board members and reviewed at trustee meetings. Gateway also has oversight of capital repairs for both teams as well as responsibility for Major Capital Repairs for both facilities and all capital repairs for the Ballpark.

Gateway's Net investment in capital assets for its activities as of December 31, 2021 totaled \$400,557,031. Capital assets decreased by (\$28,170,505). In 2021, many of the improvements were capitalized and depreciated for a full year but they were offset by disposals of older assets that are no longer in existence or no longer have a useful life. 2014 was the first year for Excise Tax requests based on the voter approved Excise Tax specific to improvements for Sports Facilities. This investment in capital assets includes land, sports facilities and equipment, site-work and furniture.

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Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

**Table 3
Capital Assets
Net of Accumulated Depreciation**

	<u>2021</u>	<u>2020</u>
Land	\$ 23,108,049	\$ 23,108,049
Construction In Progress	8,589	619,975
Total non-Depreciable Capital Assets	23,116,638	23,728,024
Depreciable Capital Assets (Net)		
Stadium	72,198,323	79,882,344
FieldHouse	302,692,960	321,015,229
Site	770,057	1,532,196
Capitalized Costs	<u>1,779,053</u>	<u>2,569,744</u>
Total Depreciable Capital Assets (Net)	377,440,393	404,999,513
Total	<u>\$ 400,557,031</u>	<u>\$ 428,727,537</u>

Table 4 on the following page summarizes Gateway's long-term loan obligations outstanding.

At the end of 2021, Gateway had Long Term Obligations outstanding of \$152,878,299. Additional information on Gateway's long term debt can be found in the Notes to the Financial Statements. Of this amount, Gateway's current loan with the County has a balance of \$128,984,299. Gateway intends to fully comply with its obligation under the revolving loan agreement and its obligation to make "Net Revenue" payments to the County. However, based on historical trends, Gateway's ability to repay the obligation is unlikely.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

Table 4

Outstanding Long-Term Obligations at Year End

	<u>2021</u>	<u>2020</u>
Bonds Payable:		
Notes Payable:		
Cuyahoga County	\$ 128,984,299	\$ 136,779,300
Cleveland Development Partnership	31,934,000	31,934,000
	<hr/>	<hr/>
Subtotal	160,918,299	168,713,300
Less-Current Portion	(8,040,000)	(7,570,000)
	<hr/>	<hr/>
Total	<u><u>\$ 152,878,299</u></u>	<u><u>\$ 161,143,300</u></u>

Economic Factors and Next Year's 2022 Budget

Gateway and the Guardians entered into an Amended and Restated Lease Agreement effective January 1, 2022 that extended the term of the lease between Gateway and the Guardians through 2036, with a five-year, convertible to ten-year, Gateway vesting option to renew, potentially extending the lease term through 2046. As part of the Amended and Restated Lease, the Guardians, Gateway, the City of Cleveland, Cuyahoga County and State of Ohio approved the Ballpark Improvement Project. The Project includes major modifications and improvements to the Ballpark including transformation of the left field terraces, redesign of the right field upper deck and concourse, dugout area redesign, service level and clubhouse modernization, social press box design and renovation, and administrative office renovation and connection to the Gateway Plaza. The total construction costs of the Ballpark Improvement Project is \$202.5 million with Gateway paying construction costs of \$135 million through a \$122,590,000 tax-exempt bond issue by Cuyahoga County and \$2 million in proceeds from the sale of the Gateway Development Parcel to the Guardians plus other public funding sources from the City of Cleveland, Cuyahoga County and State of Ohio and the Guardians paying the remaining \$67.5 million of the construction costs through a \$67.5 million taxable bond issue by Cuyahoga County to be paid by the Guardians through the Lease as additional rent. The Guardians have also agreed to pay any cost overruns that may arise on the Project.

In October 2017 Gateway and the Cavaliers entered into a new Lease and Management Agreement that made many changes and extended the term of the lease through the end of the 2034 season, with two successive five year team options to renew. In addition, Gateway and the Cavaliers along with Cuyahoga County approved the Arena Transformation project. This project included major modifications and improvements to both the north and south facades of the Arena, and multiple changes to the interior of the building creating a larger entrance and reception area. Gateway through a bond issue by Cuyahoga County, has agreed to pay construction costs up to \$140 million from bond proceeds. The Cavaliers have agreed to pay any construction costs in excess of \$140 million. This project was completed in the beginning of 2020. The team has paid construction costs over \$140 Million.

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Management's Discussion and Analysis
For the Year Ended December 31, 2021
(Unaudited)

As we analyze the last few years, the leases signed by both teams have worked largely as anticipated. Gateway has had a predictable stream of revenue to cover its operating expenses and the teams have taken advantage of Excise Tax Revenues for Major Capital Repairs. The new leases, represent a reaffirmation of Memoranda of Understanding between Gateway and the Cleveland Cavaliers and Gateway and the Cleveland Indians (n/k/a Guardians), Gateway's notes payable to the County, the Cleveland Development Partnership, and Cleveland Foundation/Cuyahoga County are subject to revolving loan agreements and its obligation is to make "net revenue" payments to each entity. However, based on historical trends, Gateway will not be able to pay back these note payable amounts.

These lease agreements have helped protect the financial interests of Gateway. These agreements also protect the taxpayer's investment in the facilities through City and County investment without asking the County or City taxpayers to subsidize Gateway operations. The teams have approved Gateway's 2022 operations budget totaling \$4,831,047. Included in this budget are additional funds to cover assessments totaling \$123,164 to participate in the Downtown Cleveland Improvement Corporation. This represents the seventeenth year of the Improvement Corporation. Property taxes equaled \$1,645,510. The teams forward these payments monthly.

The Excise Tax approval has allowed the Guardians to make significant Major Capital Improvements to the Ballpark in 2015 through 2021 totaling close to \$46,000,000. The total alterations completed to the Ballpark by 2021 will be close to \$50,000,000. The Cleveland Guardians are funding these alteration projects.

The approval of the Excise Tax by the voters has supported Major Capital projects by the teams for both facilities. The Cavaliers Capital Improvements for 2014 through 2021 totaled close to \$66,000,000 (Including the second Bond submission totaling \$39,960,037). Other Major Capital projects will continue throughout 2022 and the foreseeable future.

Contacting Gateway's Financial Management

The financial report is designed to provide the City, County, taxpayers and any other interested parties with a general overview of Gateway's finances. If you have any questions about this report or need additional information, contact Gateway's Executive Director, Todd Greathouse at Gateway Economic Development Corporation of Greater Cleveland, 758 Bolivar, Cleveland, Ohio 44115, and phone no. 216-420-4071.

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**GATEWAY ECONOMIC DEVELOPMENT CORPORATION
OF GREATER CLEVELAND**

Statement of Net Position

As of December 31, 2021

Assets

Current Assets - Unrestricted

Cash and Cash Equivalents	\$	527,353
Prepaid Expenses and Other Assets		<u>69,751</u>
		597,104

Current Assets-Restricted

Restricted Cash and Cash Equivalents		<u>269,705</u>
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Total Current Assets		<u>866,809</u>
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Non-Current Assets

Sports Facility Project:

Land	23,108,049
Stadium	252,911,268
Arena	419,481,425
Site	39,952,046
Capitalized Costs	23,720,720
Furniture, Fixtures and Equipment	111,480
Construction in Progress	<u>8,589</u>
	759,293,577

Less: Accumulated Depreciation	<u>358,736,546</u>
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Total Non-Current Assets	<u>400,557,031</u>
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Total Assets	<u>\$ 401,423,840</u>
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See accompanying notes to the financial statements.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION
OF GREATER CLEVELAND**

Statement of Net Position

As of December 31, 2021

Liabilities and Net Position

Current Liabilities

Accounts Payable	\$	19,555
Accrued Expenses		13,255
Property Taxes Payable		1,572,389
Unearned Revenue		364,005
Current Portion of Long Term Debt		<u>8,040,000</u>
Total Current Liabilities		<u>10,009,204</u>

Non-Current Liabilities

Long Term Debt, Less Current Portion		152,878,299
Long Term Accrued Interest		140,765,166
Refundable Deposits		<u>240,000</u>
Total Non-Current Liabilities		<u>293,883,465</u>

Total Liabilities 303,892,669

Net Position

Net Investment in Capital Assets		98,873,566
Restricted for Capital Repairs		269,705
Unrestricted		<u>(1,612,100)</u>

Total Net Position \$ 97,531,171

See accompanying notes to the financial statements.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION
OF GREATER CLEVELAND**

*Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2021*

Operating Revenues

Lease Income	\$ 4,122,836
Other	2,203,706
Total Operating Revenues	<u>6,326,542</u>

Operating Expenses

Administrative and General	1,317,411
Depreciation and Amortization	28,707,164
Salaries and Related Expenses	928,738
Professional Fees	181,744
Property Tax Expense	1,572,383
Security Expense	714,459
Repairs and Maintenance	1,372,746
Total Operating Expense	<u>34,794,645</u>

Operating Loss (28,468,103)

Non-Operating Revenues

Admission Taxes	8,464,363
Capital Improvement Revenue	8,737,015
Capital Alteration Improvement Revenue	945,349
Transformation Project Revenue	5,458,038
Gain on PPP Loan Forgiveness	191,572
Investment Income	72
Total Non-Operating Revenues	<u>23,796,409</u>

Non-Operating Expenses

Interest Expense	10,945,430
Transformation Project Expense	5,458,038
Loss on Disposal of Assets	9,562,611
Total Non-Operating Expense	<u>25,966,079</u>

Net Non-Operating Income (2,169,670)

Change in Net Position (30,637,773)

Net Position - Beginning of Year 128,168,944

Net Position - End of Year \$ 97,531,171

See accompanying notes to the financial statements.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION
OF GREATER CLEVELAND**

Statement of Cash Flows

For the Year Ended December 31, 2021

Cash Flows from Operating Activities

Cash Received from Lease Revenue	\$ 4,326,649
Cash Received from Other Revenue	2,190,377
Cash Paid for Administrative and General	(1,303,268)
Cash Paid for Salaries and Related Expenses	(951,483)
Cash Paid for Professional Fees	(181,744)
Cash Paid for Property Tax Expense	(1,634,147)
Cash Paid for Security Expense	(714,459)
Cash Paid for Repairs and Maintenance	(1,353,191)
Net Cash Provided by Operating Activities	<u>378,734</u>

Cash Flows from Capital and Related Financing Activities

Cash Received from Capital Improvement Revenue	8,739,088
Cash Received from Capital Alteration Improvement Revenue	945,349
Cash Received from Transformation Project Revenue	5,458,038
Bond Transformation Project Payment	(5,458,038)
Cash Received from Admission Tax	8,464,363
Investment Income	72
Interest Expense	(670,765)
Site Capital Improvements	(10,099,271)
Principal Paid on Bonds Payable	(7,795,001)
Net Cash Used by Capital and Related Financing Activities	<u>(416,165)</u>

Net Increase in Cash and Cash Equivalents (37,431)

Cash and Cash Equivalents at Beginning of Year 834,489

Cash and Cash Equivalents at End of Year \$ 797,058

Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities

Operating (Loss)	(28,468,103)
Adjustments to Reconcile to Net Cash (Used) by Operating Activities:	
Depreciation and amortization	28,707,164
Net Changes in Operating Assets and Liabilities:	
Decrease in Prepaid Expenses and Other Assets	14,143
Increase in Accounts Payable	19,555
Decrease in Accrued Expenses	(22,745)
Decrease in Property Taxes Payable	(61,764)
Increase in Unearned Revenue	190,484
Net Cash Provided by Operating Activities	<u><u>\$ 378,734</u></u>

See accompanying notes to the financial statements.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. DESCRIPTION OF THE REPORTING ENTITY AND BASIS OF PRESENTATION

Gateway Economic Development Corporation of Greater Cleveland (Gateway) was incorporated on May 31, 1990 and is a not-for-profit corporation legally separate from any other entity. Gateway, the City of Cleveland, and Cuyahoga County have entered into a three party agreement, whereby Gateway is authorized to construct, own, and provide for the operation of the sports facility, which includes a baseball stadium, fieldhouse and a joint development site (the Project). Substantially all of Gateway's assets are restricted as to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

Gateway follows the accrual basis of accounting whereby revenues are recognized when they are earned and become measurable and expenses are recognized where they are incurred.

Gateway applies a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows and liabilities and deferred inflows associated with the operation of the fund are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in fund equity.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to timing of the measurements made.

B. Cash and Cash Equivalents

Cash received by Gateway is deposited into checking accounts for short-term needs. For presentation on the Statement of Net Position, investments with an original maturity of three months or less are considered cash equivalents.

C. Investments

Investments are stated at fair value per GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

D. Sports Facility Project

Costs directly attributable to the stadium, fieldhouse and site are separately classified in the financial statements. Joint or common costs are allocated to the project components based upon management's allocation. The Stadium and Fieldhouse were substantially completed April 1, 1994 and September 15, 1994, respectively.

The sports facility project is recorded on the basis of cost and is depreciated on a straight-line basis over the estimated useful life of each class of depreciable asset. Normal maintenance and repair costs are expensed as incurred. The estimated useful lives of the assets are as follows:

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Sports Facility Project (Continued)

Stadium:

Building and Structure	30 Years
Equipment	5-15 Years
Furniture and Fixtures	5 Years

Fieldhouse:

Building and Structure	30 Years
Equipment	5-15 Years
Furniture and Fixtures	5 Years

Site:

Improvements	20 Years
Equipment	5-15 Years

Land contributed to Gateway in 1990 includes the acquisition and demolition cost of obtaining the land by Greater Cleveland New Stadium Corporation.

The Rocket Mortgage Fieldhouse Transformation Project was completed during 2020. The project includes major modifications and improvements to both the north and south facades of the building, and multiple changes to the interior of the building creating a larger entrance and reception area. Gateway, through a bond issue through Cuyahoga County, agreed to pay construction costs up to \$140 million. The Cavaliers agreed to pay any construction costs in excess of \$140 million. The total cost of the project capitalized in 2020 was \$196,464,694.

E. Federal Taxes

Gateway is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code.

F. Net Position

Net position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. Net Investment in Capital Assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Gateway applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position are available.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

As of December 31, 2021 Gateway did not have any Deferred Inflows or Deferred Outflows of Resources.

H. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from primary activities of the proprietary fund. For Gateway, these revenues are lease income and other income. Revenues and expenses not meeting these definitions are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

Cash on hand: At year-end, Gateway had \$80 in undeposited cash on hand, which is included in the Statement of Net Position of Gateway as part of the equity in pooled cash and cash equivalents.

Deposits

At fiscal year ended December 31, 2021, Gateway had the following:

<u>Account Type</u>	<u>Carrying Value</u>
Demand Deposits	\$ 219,717
Money Market Account	<u>307,556</u>
Total Deposits	<u>\$ 527,273</u>

Gateway maintains cash balances in depository institutions at an excess of FDIC insured limits of \$250,000

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of bank failure, Gateway will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, all of Gateway's bank balance of \$219,717 was insured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject Gateway to a successful claim by the F.D.I.C.

Restricted Cash

Restricted cash includes funds maintained for capital repairs and capital improvements. All of the funds were maintained in Money Market Treasury Accounts.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

4. LONG-TERM OBLIGATIONS

Long-term debt outstanding at December 31, 2021 is as follows:

	<u>Stated</u> <u>Interest Rate</u>	<u>Balance</u> <u>12/31/2020</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Amounts</u> <u>Due in One</u> <u>Year</u>
Notes Payable:						
Cuyahoga County	Variable	\$136,779,300	\$8,464,363	\$16,259,364	\$128,984,299	\$8,040,000
Cleveland Development Partnership	3%-6.25%	31,934,000			31,934,000	
		168,713,300	8,464,363	16,259,364	160,918,299	8,040,000
Less-Current Portion		(7,570,000)	(470,000)		(8,040,000)	
Total long-term debt less current portion		<u>\$161,143,300</u>	<u>\$7,994,363</u>	<u>16,259,364</u>	<u>\$152,878,299</u>	<u>\$8,040,000</u>

A. Cuyahoga County Notes Payable

On September 24, 1992, Cuyahoga County (the "County") issued \$75 million (\$35 million fixed rate and \$40 million variable rate) Taxable Economic Development Revenue Bonds. In conjunction with this bond issue, Gateway and the County entered into a Revolving Loan Agreement, whereby the County agreed to loan the bond proceeds to Gateway to pay Fieldhouse construction costs. On February 1, 1994, Cuyahoga County issued an additional \$45 million Taxable Economic Development Revenue Bonds. The Revolving Loan Agreement was amended to allow Gateway to borrow the additional proceeds. As of December 31, 2021, Gateway has borrowed \$129.0 million, including interest, under the Revolving Loan Agreement. Gateway is responsible to pay interest on the County bonds to the extent interest expense exceed interest earned by the County on bonds proceeds which have not been borrowed by Gateway. Interest payable included in the notes payable to the County totaled approximately \$74.7 million at December 31, 2021.

Gateway entered into an Emergency Loan Agreement dated December 28, 1995 (effectuated in early 1996) in which Gateway received a total of \$11.5 million to pay for certain cost overruns that were incurred in the construction of the Gateway stadium and fieldhouse project. Of this amount, the agreement called for \$2.5 million to be repaid by the City of Cleveland, \$4 million to be repaid directly by Gateway, with the remaining \$5 million to be repaid by the Greater Cleveland Convention and Visitors Bureau (the "Bureau") pending negotiations regarding this repayment between Cuyahoga County and the Bureau. At that time, Gateway determined that the \$5 million to be repaid by the Bureau was not a legal obligation of Gateway and, therefore, recognized this amount as revenue in 1996 pending the outcome of the negotiations between Cuyahoga County and the Bureau. In 2021, the Bureau did not make any payments pursuant to the amended Cooperative Agreement (see Note 9).

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

4. LONG-TERM OBLIGATIONS (Continued)

B. Cleveland Development Partnership Notes Payable

The Cleveland Development Partnership and Gateway have entered into two loan agreements for a total of \$31.9 million. Per the agreements, payment is only to be made on this amount by Gateway out of “surplus cash” as specifically defined in the loan agreements.

C. Debt and Estimated Interest to Maturity

The following schedule represents future principal payments on long-term debt:

	Principal	Interest
2022	\$8,040,000	\$13,067,385
2023	9,900,000	13,575,730
2024	3,500,000	14,242,714
2025	3,500,000	14,955,886
2026	3,500,000	15,718,172
Amount Thereafter	132,478,299	70,495,243
	\$160,918,299	\$142,055,130

Included in the “Thereafter” amount are amounts due on the Cleveland Development Partnership note payable of \$31.9 million and the Cleveland Foundation/Cuyahoga County note payable of \$1.75 million. The \$31.9 million is not included in prior years’ scheduled principal payments because it is only payable out of “surplus cash” as specifically defined in the loan agreement with the Cleveland Development Partnership and after various other obligations are paid first.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	<u>1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2021</u>
Non-depreciable capital assets:				
Land	\$ 23,108,049	\$ -	\$ -	\$ 23,108,049
Construction in Progress	619,975	-	611,386	8,589
Total non-depreciable capital assets:	23,728,024	-	611,385	23,116,638
Depreciable capital assets:				
Stadium	258,377,466	1,477,400	6,943,598	252,911,268
Arena	457,651,691	9,233,255	47,403,521	419,481,425
Site	39,952,046	-	-	39,952,046
Capitalized Costs Furniture, Fixtures and Equipment	23,720,720 111,480	- -	- -	23,720,720 111,480
Total depreciable capital assets:	779,813,403	10,710,655	54,347,119	736,176,939
	<u>1/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2021</u>
Accumulated Depreciation:				
Stadium	178,495,122	9,014,768	6,796,945	180,712,945
Arena	136,636,465	18,139,563	37,987,563	116,788,465
Site	38,419,847	762,142	-	39,181,989
Capitalized Costs Furniture, Fixtures and Equipment	21,150,976 111,480	790,691 -	- -	21,941,667 111,480
Total accumulated depreciation:	374,813,890	28,707,164	44,784,508	358,736,546
Depreciable net assets, net of accumulated depreciation	404,999,513	(17,996,509)	9,562,611	377,440,393
Capital assets, net	<u>\$428,727,537</u>	<u>(\$17,996,509)</u>	<u>\$10,173,997</u>	<u>\$400,557,031</u>

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

6. LEASES

The initial lease Gateway entered into was a 20-year lease agreement with the Cleveland Indians and Management Agreement with Ballpark Management Company (the "Indians" n/k/a "Guardians") providing for the lease of the Stadium and related improvements as well as management and operation of the stadium. The Memorandum of Understanding (MOU) dated January 1, 2004 between Gateway and the Indians modified the understanding of the parties. The Agreed Rent consists of the funds necessary to permit Gateway to meet certain of its obligations to the Guardians under the terms of the lease and common area agreements, including funds to pay ballpark real estate taxes, overhead expenses, and common area expenses. In September 2008, a new lease was entered into with Guardians (the "2008 Lease"). Gateway was still responsible for Major Capital Repairs under the 2008 Lease.

Gateway and the Guardians entered into an Amended and Restated Lease Agreement effective January 1, 2022 that extended the term of the lease between Gateway and the Guardians through 2036, with a five-year, convertible to ten-year, Gateway vesting options to renew, potentially extending the lease term through 2046. As part of the Amended and Restated Lease, the Guardians, Gateway, the City of Cleveland, Cuyahoga County and State of Ohio approved the Ballpark Improvement Project. The Project includes major modifications and improvements to the Ballpark including transformation of the left field terraces, redesign of the right field upper deck and concourse, dugout area redesign, service level and clubhouse modernization, social press box design and renovation, and administrative office renovation and connection to the Gateway Plaza. The total construction costs of the Ballpark Improvement Project is \$202.5 million with Gateway paying construction costs of \$135 million through a \$122,590,000 non-taxable bond issue by Cuyahoga County and \$2 million in proceeds from the sale of the Gateway Development Parcel to the Guardians plus other public funding sources from the City of Cleveland, Cuyahoga County and State of Ohio and the Guardians paying the remaining \$67.5 million of the construction costs through a \$67.5 million taxable bond issue by Cuyahoga County to be paid by the Guardians through the Lease as additional rent. The Guardians have also agreed to pay any cost overruns that may arise on the Project. See Note 12. Subsequent Events.

During 2017, Gateway entered into a Lease and Management Agreement with the Cavaliers providing primarily for the lease and management of the arena. The term of the agreement is through the end of the 2034 season, with two successive five-year options. The agreed rent consists of the funds necessary to permit Gateway to meet its obligations to the Cavaliers under the terms of the Agreement and Common Area Agreement, including capital repairs, real estate taxes, overhead expenses, and common area expenses.

7. PARKING FACILITIES

In accordance with an agreement with the City of Cleveland, Gateway is required to reimburse the City for the excess of the debt service requirements of the Parking Facilities Refunding Revenue Bonds attributed to the two Gateway garages over the net revenues generated by the two Gateway garages. The first garage on the Gateway site was completed in January 1994. The second garage was completed in August 1994.

In October 2011, the City sold one of the Gateway garages and defeased the applicable bonds. Going forward the amounts required to be reimbursed will be calculated based upon the net revenues of the remaining garage and remaining applicable bonds outstanding.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

Due to the uncertainty of collecting such amounts, the City of Cleveland recorded an allowance to offset the amounts in full; therefore, these amounts do not appear in the City of Cleveland's financial statements. Additionally, the net revenues of the parking facilities are not reflected in Gateway's revenues on their Statement of Revenues, Expenses, and Changes in Net Position.

8. RISK MANAGEMENT

Gateway has obtained commercial insurance for the following risks:

General Liability: Policy limits \$1 Million Each Occurrence, General Aggregate \$2 Million.

Limitation of coverage to designated premises: "Common areas between Rocket Mortgage FieldHouse and Progressive Field defined as interior streets, underground service area, east garage bridge (skywalk), interior streets, sidewalks, plaza, parking areas, and underground dock areas located in the underground service level."

Commercial Umbrella: Policy limits \$5 Million

Automobile Liability: Policy limits \$1 Million

Directors and Officers Insurance: Total \$10 Million

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Gateway also provides health, dental, vision, and life insurance for twelve full-time employees through a group program sponsored by the Council of Smaller Enterprises (COSE).

9. INCREMENTAL TRANSIENT OCCUPANCY TAX CREDIT

Gateway, Cuyahoga County and The Convention and Visitors Bureau of Greater Cleveland, Inc. (the "Bureau") entered into a Cooperative Agreement (known commonly as the "Bed Tax Agreement") as of September 15, 1992 (the "Cooperative Agreement") which included a provision that allowed a credit to be given to Gateway as payment on the Cuyahoga County Note Payable (for the Arena Bonds Issued by Cuyahoga County discussed in Note 4, which will be referred to herein as the "Gateway Account"). This amount represents the incremental amount the Bureau receives from the County Transient Occupancy Tax, per Section 5739.024, Ohio Revised Code (the "Bed Tax"), which is understood to be generated by new Gateway attendees' utilization of overnight accommodations in the County (the "Annual Incremental Credit"). This credit was to be determined pursuant to and in accordance with a certain Consultant Agreement to be entered into by and among Cuyahoga County, the Bureau and Gateway. This agreement stated in part that "for 1994 or such later year that the Arena Facility is first used, the Bureau shall credit to the Gateway Account the amount determined pursuant to the Consultant Agreement within 10 days of notice thereof. For succeeding years, the Bureau is to credit to the Gateway Account the applicable Annual Incremental Credit as limited by the Bureau's receipt of Bed Tax revenues, as provided" by the Consultant Agreement. Due to no fault of any of the parties, a Consultant Agreement had never been entered into and the Bureau had never credited any amount to the Gateway Account.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
CUYAHOGA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

Per an agreement entered into between Gateway, Cuyahoga County and the Bureau on December 22, 1998, the Cooperative Agreement was amended by the parties redefining the Annual Incremental Credit. The Annual Incremental Credit will be determined upon Cuyahoga County certifying to the Bureau the amount paid during the calendar year on bond services charges for up to \$75,000,000 on the Arena Bonds accompanied by a financial statement of Gateway reflecting its need to pay any amount not funded from other Gateway revenue.

Such credit will be limited to the difference between the debt service required by the Arena Bonds and the amounts paid by Gateway to Cuyahoga County, if any, along with any other credits. The annual increase of this credit will be capped at no more than 3% greater than the prior calendar year's credit. Since payment of the Annual Incremental Credit will only be advanced upon the certification and delivery of a financial statement from Gateway, this revenue will be recognized by Gateway in the year in which the credit is received.

During 2020, Destination Cleveland's annual credit payment obligation ceased as the County surpassed the \$75,000,000 debt repayment threshold outlined in Section 10 of the Bed Tax Agreement.

10. COVID-19 PANDEMIC

During 2020, Covid-19 broke out worldwide. The pandemic reached the United States in the spring of 2020. Starting in March 2020 through June 30, 2020 no events or games were held at either Rocket Mortgage FieldHouse or Progressive Field. Beginning in July 2020, the Indians began playing games at Progressive Field with no spectators. Events at Rocket Mortgage FieldHouse resumed in the fall of 2020 with limited spectators. Full capacity seating resumed at both facilities during 2021. Nevertheless, while the pandemic is ongoing, it is difficult to predict the future impact of COVID-19 on Gateway and the teams. Gateway maintains its vigilance with respect to the situation and intends to take appropriate actions necessary for it, its employees and the teams' benefit.

11. PAYCHECK PROTECTION PROGRAM LOAN AND FORGIVENESS

On May 1, 2020, Gateway received a loan of \$189,500 from PNC Bank as servicer for the Small Business Administration (SBA) pursuant to the Federal Paycheck Protection Program (PPP) under the CARES Act. The proceeds were used to support Gateway's operations during 2020 in accordance with the program's requirements. Gateway submitted its forgiveness application and all required documentation detailing expenditure of the funds in accordance with the program requirements. On September 28, 2021, the outstanding principal of \$188,886 plus accrued interest of \$2,686 was forgiven in full by the SBA.

**GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(CONTINUED)**

12. SUBSEQUENT EVENTS

Gateway evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date the financial statements were available to be issued.

Gateway also entered into an Amended and Restated Lease Agreement effective as of January 1, 2022 with the Cleveland Guardians (f/k/a the Indians) which extends the lease term through 2036, with a five-year, convertible to ten-year, Gateway vesting renewal option. The Lease extension also includes an estimated \$200 million in Ballpark improvements. See Note 6 Leases.

On January 1, 2022, in connection with Gateway's Amended and Restated Lease with the Guardians, Gateway entered into an agreement with the Guardians for Gateway to sell certain undeveloped real property and all improvements thereon to the Guardians or its designee for \$2,000,000. On April 13, 2022, Gateway closed on the sale of the real property to the Guardians' designee.

No other matters came to the attention of management of Gateway that would require adjustments to or disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Gateway Economic Development Corporation of Greater Cleveland
Cuyahoga County
756 Bolivar Road
Cleveland, Ohio 44115

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Gateway Economic Development Corporation of Greater Cleveland, Cuyahoga County, (Gateway) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Gateway's basic financial statements and have issued our report thereon dated September 29, 2022, wherein we noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of Gateway.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gateway's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gateway's internal control. Accordingly, we do not express an opinion on the effectiveness of Gateway's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Gateway's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gateway's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gateway's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gateway's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

September 29, 2022

OHIO AUDITOR OF STATE KEITH FABER



GATEWAY ECONOMIC DEVELOPMENT CORPORATION OF GREATER CLEVELAND

CUYAHOGA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 10/11/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov